

## ● SHUTTER DOWN

# Trent shuts all 20 Star Daily stores

**High rentals made the smaller store format unviable for the Tata Group-Tesco JV**

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**TRENT HYPERMARKET**, A joint venture between the Tata Group and Tesco which operates three formats — Star Bazaar Hypermarket, Star Market and Star Daily — has shut all its 20 loss-making Star Daily stores, company officials told *FE*. The management had indicated in May last year that it would add small stores.

A senior official told *FE* on condition of anonymity, the smaller stores were becoming unviable.

“We now service these catchments via our online channel,” he explained.

Jhamshed Daboo, managing director, Trent Hypermarket, had observed the company intended to expand its store count to over 65 stores by the end of FY18 and take it to 200 stores by 2020.

Trent Hypermarket not only been slow to expand, say analysts, it has also right sized, cutting down the size of its stores by half to around 20,000-30,000 sq ft from an average size of 40,000-80,000 sq ft. Markets (5,000-10,000 sq ft) and 10 Star Hypermarkets (20,000-30,000 sq ft) in Mumbai, Pune and Bengaluru.

Anil Talreja, partner, Deloitte India, believes that while most grocery retailers have figured out the right format, Star is yet to get its locations and pricing right. “High rentals of around 15% to 20% of the company’s costs could be impacting the retailer,” Talreja said.

In 2017, the company added 17 stores across 0.10 million sq ft but soon shut almost half of its stores. Star Bazaar mostly has stores in malls where operating costs are higher and the locations more upmarket. As a result, THPL has been forking out much higher rentals.

After the closure of these small stores, the retailer now operates a chain of 23 stores. Star Daily was a neighbourhood format store ranging between 2,000 sq ft to 5,000 sq ft stocking vegetables, groceries fish and poultry.

The company didn’t respond to an offi-

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■ Presently, 23 stores in 2 formats — Star Hypermarket (20,000-30,000 sq ft), Star Market (5,000-10,000 sq ft) — are operational

■ Company opened first Star Bazaar in 2004; had only 20 Star Bazaar operational as of 2015

■ Same-store-sales growth in FY17 was 2.1%, down from 8.6% in FY16; revenues in FY17 were just ₹892.57 crore

■ Ebitda loss stood at ₹16.71 crore compared to ₹21.54 crore in FY16



cial email sent by *FE*.

Like-to-like sales growth at Star Bazaar stores grew at a muted 2.6% in 2016-17 down from 8.6% in 2015-16.

“The like-to-like sales growth was impacted by demonetisation. Also, 17 new stores were added in the last one year so the performance was not really comparable as it takes minimum two to three years for like-to-like growth to be considered,” an analyst at ICICI Securities said.

THPL has been slow to scale up and revenues in 2016-17 were just ₹892.57 crore. Moreover, the company reported an Ebitda loss of ₹16.71 crore compared to ₹21.54 crore loss in 2015-16.

The first Star Bazaar was opened in 2004, and the company added just 20 stores till 2015. The company gained slight momentum in store expansion in 2016-17, adding another 22 stores and experimenting with different formats.

The pain in the supermarket space seems to be continuing with Reliance Retail, the retail arm of Reliance Industries shutting more than 60 loss-making Reliance Fresh stores in 2017 value, food and grocery retailing as the company focused on reducing losses by shutting

unprofitable stores. Post closure the company had around 465 value format stores operational, including Reliance Fresh and Reliance Smart, across the country. Reliance Fresh format stores ranges between 1,500 sq ft to 3,000 sq ft. At present, per sq ft revenue of Reliance Fresh is around Rs 2,500 per sq ft to Rs 3,000 per sq ft. Reliance Fresh was first launched in 2006. In the past, several supermarket chains have exited the market. While Aditya Birla Retail exited Mumbai and Jaipur in 2012 by shutting its More supermarkets, Reliance Retail had shut around 100 Reliance Fresh stores in 2014 and even Future Group shut all its KBFP stores in Bangalore couple of years back. RP Goenka-owned Spencer Retail also closed around 200 stores in the last five years.

Industry experts point out that retailers such as Big Bazaar, Reliance Retail, Avenue Supermarts are taking initiatives to drive sales and footfalls and price their products competitively. Star Bazaar stores, on the other hand, appears to have taken fewer initiatives to improve merchandise and in-store level activity to attract customers, analysts said.